

**CITY OF LAKE DALLAS, TEXAS**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS REPORT

SEPTEMBER 30, 2006

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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members of the City Council  
City of Lake Dallas

Members of the Council:

We have audited the accompanying financial statements of the governmental activities, discretely presented component units, and each major fund of the City of Lake Dallas, Texas ("City") as of and for the year ended September 30, 2006, which collectively comprises the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities and each major fund of the City as of September 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have issued a report dated December 28, 2006, on our consideration of the City's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lake Dallas's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay  
A Professional Corporation  
Certified Public Accountants

December 28, 2006

**MANAGEMENT'S DISCUSSION & ANALYSIS**

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CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2006

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As management of the City of Lake Dallas, we offer readers of the City of Lake Dallas's financial statements this narrative overview and analysis of the financial activities of the City of Lake Dallas for the year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements.

**Financial Highlights**

- The assets of the City of Lake Dallas exceeded its liabilities at September 30, 2006 by \$2,454,339. Of this amount, \$374,984 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$75,800.
- As of September 30, 2006, the City of Lake Dallas's governmental funds reported combined ending fund balances of \$1,453,942, an increase of \$974,674 in comparison with the beginning of the period. Approximately 20 percent of this total amount, \$290,938, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current period, the general fund fund balance of \$410,887 amounted to 13 percent of total general fund expenditures.

**Overview of the Financial Statements**

The management discussion and analysis are intended to serve as an introduction to the City of Lake Dallas's basic financial statements. The City of Lake Dallas's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Also included as a discretely presented component unit is the Lake Dallas Economic Development Corporation, which was formed on January 1, 2003 as the result of a successful 4A sales tax election and the Lake Dallas Community Development Corporation, which was formed on January 1, 2003 as the result of a successful 4B sales tax election.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Lake Dallas's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Lake Dallas's assets and liabilities, with the difference between the two reported as net assets. Over time, increase or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Lake Dallas is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent period. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided between two kinds of activities:

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2006

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- **Governmental activities.** All of the City's basic services are reported here, including the police, fire, library, community development, public works, park services, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities.** The City may charge a fee to customers to help it cover all or most of the cost of certain services it provides. The City had no business-type activities during the current period.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Lake Dallas are considered governmental funds.

**Governmental Funds.** All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at period-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of Lake Dallas maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, each of which are considered to be major funds.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Lake Dallas's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Lake Dallas does not currently have any fiduciary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and funds financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information highlighting budgetary information for the general fund.

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2006

**Government-wide Financial Analysis**

The City's combined net assets were \$2,530,139 as of September 30, 2006. The City first implemented GASB Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, for fiscal year 2004. The following analysis presents both current and prior year data and discusses significant changes in the accounts. This analysis focuses on the net assets (Table 1) and general revenues (Table 2) and changes in net assets (Table 3) of the City's governmental activities.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1  
Net Assets

	Governmental Activities	
	2006	2005
Current and other assets	\$ 1,627,497	\$ 689,305
Capital assets	4,915,356	4,501,637
Total assets	<u>6,542,853</u>	<u>5,190,942</u>
Long-term liabilities outstanding	3,991,987	2,505,386
Other liabilities	96,527	155,417
Total liabilities	<u>4,088,514</u>	<u>2,660,803</u>
Net assets:		
Invested in capital assets, net of related debt	919,374	2,077,280
Restricted	1,159,981	108,311
Unrestricted	374,984	344,548
Total net assets	<u>\$ 2,454,339</u>	<u>\$2,530,139</u>

**Governmental Activities.** The City's general revenues for governmental activities for the years ended September 30, 2006 and 2005 are detailed below (Table 2).

Table 2  
General Revenues

	2006	2005
Property taxes, levied for general purposes	\$1,519,875	\$1,425,546
Property taxes, levied for debt service	280,549	275,017
Sales taxes	505,000	452,083
Franchise taxes	314,796	302,023
Hotel occupancy taxes	35,629	-
Mixed beverage taxes	18,487	13,561
Contributions from EDC/CDC	632,909	-
Investment earnings	82,542	29,831
Miscellaneous	40,872	18,317
	<u>\$3,430,659</u>	<u>\$2,516,378</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The following table provides a summary of the City's operations for the years ended September 30, 2006 and 2005.

Table 3  
Changes in Net Assets

	Governmental Activities	
	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 639,232	\$ 600,713
Operating grants and contributions	7,451	64,297
General revenues:		
Property taxes	1,800,424	1,700,563
Sales taxes	505,000	452,083
Franchise taxes	314,796	302,023
Hotel occupancy taxes	35,629	-
Mixed beverage taxes	18,487	13,561
Contributions from EDC/CDC	632,909	-
Investment earnings	82,542	29,831
Other	40,872	18,317
	<u>4,077,342</u>	<u>3,181,388</u>
Expenses:		
Administrative	522,000	420,330
Special events	103,117	-
Public safety	2,010,213	1,807,543
Animal control	78,136	77,727
Public works - streets	473,119	449,088
Municipal court	63,699	69,578
Parks and recreation	50,442	59,536
Community development	158,166	145,718
Debt service - interest	163,199	121,352
	<u>3,622,091</u>	<u>3,150,872</u>
Special items	338	4,867
Transfers in (out)	(531,389)	-
Change in net assets	(75,800)	35,383
Net assets – October 1 (beginning)	<u>2,530,139</u>	<u>2,494,756</u>
Net assets – September 30 (ending)	<u>\$2,454,339</u>	<u>\$2,530,139</u>

**Financial Analysis of the Government's Funds**

**Governments Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the period.

CITY OF LAKE DALLAS, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2006

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As of the end of the current period, the City's governmental funds reported combined ending fund balances of \$1,453,942, an increase of \$974,674 in comparison with the beginning of the period. Approximately 20 percent of this total amount (\$290,938) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, 1) to pay for capital improvements (\$1,043,055), 2) to liquidate prepaid items (\$3,023), and 3) for other miscellaneous restrictions (\$116,926).

The general fund is the chief operating fund of the City. At the end of the current period, unreserved fund balance of the general fund totaled \$290,938, while total fund balance was \$410,887. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9.01 percent of total general fund expenditures, while total fund balance represents 12.73 percent of that same amount. The fund balance of the City's general fund decreased by \$55,742 during the current period.

**General Fund Budgetary Highlights**

During the current year, the City Council of the City of Lake Dallas amended the budget for the General Fund on one occasion.

The original budget for the general fund reflected that the activity for the year would increase available fund balance by \$175,789. The available fund balance for the general fund actually decreased in the amount of \$55,742. This decrease was due primarily to less property tax revenue received than had been budgeted.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental activities as of September 30, 2006, amount to \$4,915,356 (net of accumulated depreciation). This amount represents a net increase of \$413,719, or 9 percent, above the beginning of the period. The investment in capital assets includes land, buildings, equipment, vehicles, roads and parks.

Major capital asset additions during the current year included the following:

<u>Description</u>	<u>Amount</u>
Initial costs on parks projects in progress at year-end	\$579,776
Initial costs on paving and drainage project in progress at year-end	46,330
Tornado warning sirens	48,035
Code enforcement vehicle	14,461
Parks and recreation vehicle	16,948
Police vehicle	11,134
Police radio equipment	11,556
Other police equipment	16,760
Computer equipment	<u>11,808</u>
Total	<u>\$756,808</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2006

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Table 4  
Capital Assets at Year-end  
(Net of Depreciation)

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	<u>Governmental Activities</u>
Land	\$ 331,779
Buildings and Improvements	1,283,039
Streets and Parks Infrastructure	2,199,691
Equipment and Vehicles	474,740
Construction in Progress	<u>626,107</u>
Totals	<u>\$4,915,356</u>

Additional information on the City's capital assets can be found in Note 6 of this report.

**Long-term Debt.** At the end of the current period, the City had certificates of obligation outstanding of \$2,280,000, accrued compensated absences of \$92,073, an equipment finance loan of \$144,914 and general obligation bonds outstanding of \$1,475,000, for total long-term debt of \$3,991,987.

The City's total debt increased by \$1,486,601 during the current period or 59%. The only new debt incurred during the period was issuance of \$1,635,000 certificates of obligation. Additional information on the City's long-term debt can be found in Note 7 of this report.

#### **Economic Factors and Next Year's Budgets and Rates**

For Fiscal Year 2007, the City Council approved a real property tax increase of \$0.0265 raising the tax rate to \$0.67. This increase was necessary to continue to provide the high level of services the citizens of Lake Dallas deserve and to raise the revenues to a level that will sustain growth in the City's reserve account. The property tax base in 2006 grew at a rate of nearly 5% that is better than in previous years and the annual rate of inflation thus allowing the modest tax increase. Sales Taxes this year also grew at a high rate, 12%, and are budgeted for just over 4% plus \$12,000 to account for new retail spaces that will be occupied in 2007. Other revenue sources remain fairly static although Building Permits were below expectation due to a slow start to the construction of a major residential project known as the Oaks at North Lakeview—153 dwelling units in the project.

The prospects for Lake Dallas are better now than ever. The economic situation is improving as detailed in the following comments:

- The office market in Lake Dallas in general has picked up
- A new Office building was completed in 2006 and is completely occupied
- Two existing office buildings have less than 1,000 square feet of space available
- The new Main and Market Street project is fully leased.
- A 12,000 square foot retail project on Swisher Road was completed in 2006 and will be occupied this year
- Existing restaurant space in the City has been reoccupied.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2006

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New commercial projects also portend good economic activity for the City:

- The EDC has 20 acres on Swisher Road under contract for retail development
- HVAC will be building a new office building with residential units and possibly a retail building to complement both on Main Street
- The 12-acre railroad property is scheduled to go to closing soon for a mixed use development
- Interest has been shown in EDC property on Shady Shores for another commercial venture.

The road construction on Swisher Road will be completed in June 2007 and this will facilitate access into the City. The bridge connecting Lake Dallas to Little Elm is under construction and is scheduled for completion April 2009. Completion of the bridge will bring an additional 20,000 vehicles into and through Lake Dallas daily, enhancing retail businesses. The park improvement projects undertaken by the CDC will have a major impact on the quality of life for the residents of Lake Dallas and also provide additional incentive for economic growth in the City. The EDC continues to support business expansion and growth through incentive grants—awarding a total of \$150,000 in 2006 and able to do another \$100,000 in 2007.

The Main Street Improvement project being worked on by the CDC is another example of the efforts being undertaken by the City to enhance and improve the economic climate. This project will be done in phases with the first phase elements being determined in the spring by the CDC and probably totaling approximately \$1.3 million.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Lake Dallas, 212 Main St., Lake Dallas, Texas 75065.

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**BASIC FINANCIAL STATEMENTS**

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CITY OF LAKE DALLAS, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Economic Development Corporation</u>	<u>Community Development Corporation</u>
<b>ASSETS</b>			
Cash and Investments	\$ 1,455,489	\$229,471	\$ 131,872
Receivables (net of allowance for uncollectibles):			
Taxes – Ad Valorem	81,023	-	-
Taxes – Sales	38,719	19,359	19,359
Taxes- Occupancy	15,172	-	-
Taxes – Mixed Beverage	5,309	-	-
Other	3,754	-	-
Prepaid Costs	3,023	-	-
Internal Balances	166	-	(166)
Debt Issuance Costs, net	24,842	-	-
Capital Assets:			
Land	331,779	518,535	-
Buildings and Improvements, net	1,283,039	-	-
Streets and Parks Infrastructure, net	2,199,691	-	-
Equipment and Vehicles, net	474,740	-	-
Construction in Progress	<u>626,107</u>	<u>-</u>	<u>-</u>
Total Assets	<u>6,542,853</u>	<u>767,365</u>	<u>151,065</u>
<b>LIABILITIES</b>			
Accounts Payable	22,466	3,014	275
Accrued Wages Payable	26,607	-	-
Accrued Interest Payable	28,837	-	-
State Court Costs Payable	16,099	-	-
Other Liabilities	2,518	-	-
Noncurrent Liabilities:			
Due within one year	221,655	48,724	-
Due in more than one year	<u>3,770,332</u>	<u>448,793</u>	<u>-</u>
Total Liabilities	<u>4,088,514</u>	<u>500,531</u>	<u>-</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	919,374	21,018	-
Restricted for:			
Capital Improvements	1,043,055	-	-
Community Development	-	-	150,790
Economic Development	-	245,816	-
Court Security and Technology	28,890	-	-
Police Department	61,046	-	-
Other Purposes	26,990	-	-
Unrestricted Net Assets	<u>374,984</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$2,454,339</u>	<u>\$266,834</u>	<u>\$ 150,790</u>

The accompanying Notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES:</b>			
General Government	\$ 522,000	\$ 92,225	\$ -
Special Events	103,117	34,097	-
Public Safety	2,010,213	303,250	5,929
Animal Control	78,136	4,358	1,522
Public Works - Streets	473,119	-	-
Municipal Court	63,699	63,699	-
Parks and Recreation	50,442	13,243	-
Community Development	158,166	128,360	-
Debt Service - Interest	<u>163,199</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>3,622,091</u>	<u>639,232</u>	<u>7,451</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$3,622,091</u></b>	<b><u>\$639,232</u></b>	<b><u>\$ 7,451</u></b>
<b>COMPONENT UNITS:</b>			
Economic Development Corporation	\$239,078	\$ -	\$ 25,000
Community Development Corporation	<u>681,991</u>	<u>-</u>	<u>9,161</u>
<b>TOTAL COMPONENT UNITS</b>	<b><u>\$ 921,069</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 34,161</u></b>

**GENERAL REVENUES:**

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Sales taxes
- Franchise taxes
- Hotel occupancy taxes
- Mixed beverage taxes

Investment Earnings

Contributions from EDC/CDC

Miscellaneous

Special Item – Gain on Sale of Capital Assets

Transfers in (out)

Total General Revenues and Special Items

Change in Net Assets

NET ASSETS, October 1 (beginning)

NET ASSETS, September 30 (ending)

The accompanying Notes are an integral part of this statement.

Net (Expense) Revenue and  
Change in Net Assets

Governmental Activities	Component Units	
	Economic Development Corp	Community Development Corp
\$ (429,775)	\$ -	\$ -
(69,020)	-	-
(1,701,034)	-	-
(72,256)	-	-
(473,119)	-	-
-	-	-
(37,199)	-	-
(29,806)	-	-
<u>(163,199)</u>	<u>-</u>	<u>-</u>
<u>(2,975,408)</u>	<u>-</u>	<u>-</u>
 (2,975,408)	 <u>-</u>	 <u>-</u>
 -	 (214,078)	 -
<u>-</u>	<u>-</u>	<u>(672,830)</u>
 <u>-</u>	 <u>(214,078)</u>	 <u>(672,830)</u>
 1,519,875	 -	 -
280,549	-	-
505,000	252,500	252,500
314,796	-	-
35,629	-	-
18,487	-	-
82,542	7,618	4,249
632,909	-	-
40,872	-	-
338	-	-
<u>(531,389)</u>	<u>61,854</u>	<u>469,535</u>
<u>2,899,608</u>	<u>321,972</u>	<u>726,284</u>
 (75,800)	 107,894	 53,454
<u>2,530,139</u>	<u>158,940</u>	<u>97,336</u>
<u>\$2,454,339</u>	<u>\$ 266,834</u>	<u>\$ 150,790</u>

CITY OF LAKE DALLAS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2006

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and investments	\$412,434	\$ -	\$1,043,055	\$1,455,489
Receivables (net of allowances for uncollectibles):				
Ad Valorem tax	68,983	12,040	-	81,023
Sales tax	38,719	-	-	38,719
Occupancy tax	15,172	-	-	15,172
Mixed beverage tax	5,309	-	-	5,309
Other	3,754	-	-	3,754
Due from EDC/CDC	166	-	-	166
Prepaid costs	<u>3,023</u>	<u>-</u>	<u>-</u>	<u>3,023</u>
Total Assets	<u>\$547,560</u>	<u>\$12,040</u>	<u>\$1,043,055</u>	<u>\$1,602,655</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 22,466	\$ -	\$ -	\$ 22,466
Accrued wages payable	26,607	-	-	26,607
State court costs payable	16,099	-	-	16,099
Other liabilities	2,518	-	-	2,518
Deferred revenues	<u>68,983</u>	<u>12,040</u>	<u>-</u>	<u>81,023</u>
Total Liabilities	<u>136,673</u>	<u>12,040</u>	<u>-</u>	<u>148,713</u>
<b>Fund Balances:</b>				
Reserved for prepaid costs	3,023	-	-	3,023
Reserved for construction	-	-	1,043,055	1,043,055
Other reserves	116,926	-	-	116,926
Undesignated	<u>290,938</u>	<u>-</u>	<u>-</u>	<u>290,938</u>
Total Fund Balances	<u>410,887</u>	<u>-</u>	<u>1,043,055</u>	<u>1,453,942</u>
Total Liabilities and Fund Balances	<u>\$547,560</u>	<u>\$12,040</u>	<u>\$1,043,055</u>	<u>\$1,602,655</u>

The accompanying notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006

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**Total Fund Balances – Governmental Funds** \$ 1,453,942

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the period, the cost of these assets was \$6,048,942 and the accumulated depreciation was \$1,547,305. In addition, long-term liabilities of \$2,505,386 are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets. 1,996,251

Current period capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current period capital outlays and debt principal payments is to increase net assets. 293,272

The current period depreciation expense increases accumulated depreciation. The net effect of the current period's depreciation is to decrease net assets. (353,019)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, removing the basis of capital assets sold and recognizing the liabilities associated with accrued interest and compensated absences. The net effect of these reclassifications and recognitions is to decrease net assets. (936,107)

**Net Assets of Governmental Activities** \$ 2,454,339

The accompanying Notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>Revenues:</b>				
Taxes (ad valorem, sales and other)	\$2,387,294	\$ 279,384	\$ -	\$ 2,666,678
Special assessments	6,326	-	-	6,326
Licenses and permits	139,302	-	-	139,302
Charges for services	286,582	-	-	286,582
Fines	207,022	-	-	207,022
Donations	6,251	-	-	6,251
Interest	34,903	-	47,639	82,542
Utilities settlement	27,520	-	-	27,520
Police vests grant	1,200	-	-	1,200
Miscellaneous revenues	<u>13,352</u>	<u>-</u>	<u>-</u>	<u>13,352</u>
Total Revenues	<u>3,109,752</u>	<u>279,384</u>	<u>47,639</u>	<u>3,436,775</u>
<b>Expenditures:</b>				
General government	482,707	-	-	482,707
Special events	100,702	-	-	100,702
Public safety	1,934,157	-	-	1,934,157
Animal control	76,256	-	-	76,256
Public works – streets	256,019	-	-	256,019
Municipal court	61,726	-	-	61,726
Parks and recreation	29,569	-	-	29,569
Community development	153,693	-	-	153,693
Capital outlay	133,829	-	-	133,829
Debt service:				
Principal retirement	-	159,443	-	159,443
Interest and fees	<u>-</u>	<u>152,139</u>	<u>-</u>	<u>152,139</u>
Total Expenditures	<u>3,228,658</u>	<u>311,582</u>	<u>-</u>	<u>3,540,240</u>
Excess of Revenues Over (Under) Expenditures	<u>(118,906)</u>	<u>(32,198)</u>	<u>47,639</u>	<u>(103,465)</u>
<b>Other Resources (Uses):</b>				
Certificate of obligation proceeds	-	-	1,635,000	1,635,000
Issuance costs	-	-	(25,810)	(25,810)
Sale of assets	338	-	-	338
Transfers in	79,714	32,198	-	111,912
Transfers out	<u>(16,888)</u>	<u>-</u>	<u>(626,413)</u>	<u>(643,301)</u>
Total Other Resources (Uses)	<u>63,164</u>	<u>32,198</u>	<u>982,777</u>	<u>1,078,139</u>
Net Change in Fund Balance	(55,742)	-	1,030,416	974,674
Fund Balances - October 1 (beginning)	<u>466,629</u>	<u>-</u>	<u>12,639</u>	<u>479,268</u>
Fund Balance - September 30 (ending)	<u>\$ 410,887</u>	<u>\$ -</u>	<u>\$ 1,043,055</u>	<u>\$ 1,453,942</u>

The accompanying notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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<b>Total Net Change in Fund Balances – Governmental Funds</b>	\$ 974,674
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase net assets.	293,272
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current period's depreciation is to decrease net assets.	(353,019)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, removing the basis of capital assets sold and recognizing the liabilities associated with accrued interest and compensated absences. The net effect of these reclassifications and recognitions is to decrease net assets.	<u>(990,727)</u>
<b>Change in Net Assets of Governmental Activities</b>	<u>\$ (75,800)</u>

The accompanying Notes are an integral part of this statement.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Lake Dallas (the "City") are presented in accordance with generally accepted accounting principles applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board ("GASB").

In fiscal year 2004, the City implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, GASB Statement No. 38, *Certain Financial Statement Disclosures*, which changes note disclosures requirements for governmental entities, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, which clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where difference have arisen, or potentially could arise, in interpretation and practice of GASB Statement No. 34.

GASB Statements No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the use of account groups to the already required fund financial statements and notes. GASB Statement No. 37 provides additional guidance in reporting infrastructure, program revenues and major criteria.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that the government-wide financial statements are needed to allow users of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the more significant accounting policies.

**A. Reporting Entity**

The City of Lake Dallas (City) is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The City of Lake Dallas, as of September 30, 2006 has two discretely presented component units as defined by GASB criteria, the Lake Dallas Economic Development Corporation and the Lake Dallas Community Development Corporation. Separately-issued financial statements for each of these component units may be obtained by contacting the City of Lake Dallas.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City had no business-type activities during the period.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds, proprietary funds, and fiduciary funds, even though the latter are excluded for the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The City had no proprietary funds or fiduciary funds during the period.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

*General Fund* – The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

*Debt Service Fund* – The Debt Service Fund accounts for the use of debt service taxes collected for the purpose of retiring bond principal and paying interest due.

*Capital Projects Fund* – The Capital Projects Funds accounts for proceeds from the sale of bonds to be used for authorized acquisition, construction, or renovation projects. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**D. Cash and Investments**

The City's cash and investments are considered to be cash on hand, demand deposits and short-term investments in State investment pools.

**E. Receivable and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the period are referred to as "due to/from other funds" or "advances to/from other funds."

Property tax receivables are shown net of an allowance for uncollectibles.

**F. Property Taxes**

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the City has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The City's availability period is sixty days. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in the government-wide and fund financial statements. These items consist primarily of prepaid insurance.

**H. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, roads, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$1000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of governmental activities is not included as part of the capitalized value of the assets constructed.

Depreciation expense is calculated on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives of major categories of property are as follows:

<u>Category</u>	<u>Estimated Life</u>
Buildings	25-40 years
Street infrastructure	15 years
Machinery and equipment	7-10 years
Vehicles	7 years

**I. Compensated Absences**

It is the City's policy to permit employees to accumulate certain earned but unused vacation and sick pay benefits. When an employee separates from service with the City, the employee is entitled to receive pay for earned but unused vacation pay. All such vacation pay is accrued when incurred in the government-wide financial statements.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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**J. Reserves and Designations**

Reserves on fund balance in the fund financial statements indicate portions of fund equity legally segregated for a specific future use. At September 30, 2006, the City's fund balances were reserved for the following purposes:

- Reserve for encumbrances represents a commitment for storm water project expenditures that will be expended in the subsequent year.
- Reserve for prepaid costs represents that portion of fund balance already disbursed on expenditures that relate to a subsequent fiscal year.
- Reserve for court security represents that portion of fund balance legally restricted for court security costs.
- Reserve for court technology represents that portion of fund balance legally restricted for court technology costs.
- Reserve for child safety represents that portion of fund balance legally restricted for child safety costs.
- Reserve for juvenile case management represents that portion of fund balance legally restricted for juvenile case management costs.
- Reserve for Willow Grove Park fees represents that portion of fund balance generated from Willow Grove Park camping permits and legally restricted for Willow Grove Park costs.
- Reserve for Kid-N-Cops represents that portion of fund balance received from donors for the Kids-N-Cops program.
- Reserve for animal rescue represents that portion of fund balance received from donors for the animal rescue program.
- Reserve for LEOSE represents that portion of fund balance legally restricted for police training.
- Reserve for VSC auction represents that portion of fund balance generated from providing police services for entities disposing of impounded and abandoned vehicles, and legally restricted for police department costs.
- Reserve for police technology donations represents that portion of fund balance received from donors for police equipment.
- Reserve for police seizure funds represents that portion of fund balance generated from court seizure of funds related to drug cases, and legally restricted for police department costs.
- Reserve for economic development represents the fund balance of the Lake Dallas Economic Development Corporation.
- Reserve for community development represents the fund balance of the Lake Dallas Community Development Corporation.

Designations indicate portions of fund equity which are designated by the City Council for a specific future use but are not legally restricted. At September 30, 2006, the City had no designated fund balances.

**K. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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**L. Net Assets**

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**M. Budgets and Budgetary Accounting**

Prior to September 1, the City Manager submits to the City Council a proposed budget for the ensuing fiscal year. At the meeting of the City Council at which the budget is submitted, the City Council fixes the time and place of the public hearing on the budget and causes to be published a notice of the budget hearing. After the budget hearing the budget may be adopted by a favorable vote of the majority vote of the Council. Upon adoption the budget is filed with the City Secretary and the County Clerk of Denton County.

The City Manager is authorized to transfer budgeted amounts between departments with any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Expenditures should not exceed appropriations at the department level, the classification level as reported in the combined financial statements. Unused appropriations lapse at the end of each fiscal year.

Budgets for the general fund and debt service fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget was amended two times during the year by the City Council. The amendments are reflected in the official minutes of the Council.

**2. DEPOSITS AND INVESTMENTS**

The City's funds are required to be deposited and invested under the terms of a depository agreement. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the agreement. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**1. Cash Deposits:**

At September 30, 2006, the carrying amount of the City's deposits in checking accounts and interest-bearing savings accounts was \$30,512 and the bank balance was \$132,283. The City's cash deposits at September 30, 2006 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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**2. Investments:**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2006, the City's cash balances totaled \$132,283. This entire amount was either collateralized with securities held by the City's financial institution's agent in the City's name or covered by FDIC insurance. Thus, the City's deposits are not exposed to custodial credit risk.
- b. **Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2006, the City held all of its investments in two public funds investment pools - Texpool and LOGIC. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. **Credit Risk:** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for LOGIC at year-end was AAA (Standard & Poor's) and for TexPool was AAAM (Standard & Poor's).
- d. **Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for both the TexPool and LOGIC investment pools is less than 60 days.
- e. **Foreign Currency Risk:** This is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2006, the City was not exposed to foreign currency risk.

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2006

- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the City's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

The City's investments at September 30, 2006 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool Investment Pool	\$ 278,849	\$ 278,791
LOGIC Investment Pool	<u>1,138,608</u>	<u>1,138,371</u>
Total	<u>\$ 1,417,457</u>	<u>\$ 1,417,162</u>

**3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The details of this \$293,272 adjustment are as follows:

Current year capital outlay	\$ 133,829
Bond principal payments	85,000
Cert. of obligation principal payments	30,000
Equipment finance loan principal payments	<u>44,443</u>
Net adjustment	<u>\$ 293,272</u>

Another element of that reconciliation state that: "Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest." The details of this \$(936,107) adjustment are as follows:

Deferred tax revenue recognized as revenue	\$ 81,023
Certificates of obligation proceeds	(1,635,000)
Accrued interest payable on long-term debt	(28,837)
Increase in accrued compensated absences	(11,044)
Capital outlay contributed by EDC/CDC	632,909
Capitalize current year debt issuance costs	25,810
Amortization of debt issuance costs	<u>(968)</u>
Net adjustment	<u>\$ (936,107)</u>

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2006

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities: One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.

These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest." The details of this \$(990,727) adjustment are as follows:

Current year change in deferred tax revenue	\$ 7,658
Certificates of obligation proceeds	(1,635,000)
Increase in accrued interest payable	(10,092)
Increase in accrued compensated absences	(11,044)
Capital outlay contributed by EDC/CDC	632,909
Capitalize current year debt issuance costs	25,810
Amortization of debt issuance costs	<u>(968)</u>
 Net adjustment	 <u>\$ ( 990,727)</u>

**4. RECEIVABLES**

Government-wide receivables as of September 30, 2006, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Total
Receivables:			
Property taxes	\$114,429	\$ 19,827	\$134,256
Sales taxes	38,719	-	38,719
Occupancy tax	15,172	-	15,172
Mixed beverage tax	5,309	-	5,309
Other	<u>3,754</u>	<u>-</u>	<u>3,754</u>
Gross Receivables	177,383	19,827	197,210
Less: Uncollectible allowance	<u>45,446</u>	<u>7,787</u>	<u>53,233</u>
Net Total Receivables	<u>\$131,937</u>	<u>\$ 12,040</u>	<u>\$143,977</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal period, the deferred revenue reported in the governmental funds relates to delinquent property taxes.

**5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

There were no amounts due from and due to other funds at September 30, 2006.

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2006

Fund transfers during the year include the following:

- Transfers of certificates of obligation proceeds from the capital projects fund to Lake Dallas Community Development Corporation, to fund the cost of parks projects - \$491,179.
- Transfers of certificates of obligation proceeds from the capital projects fund to Lake Dallas Economic Development Corporation, to fund the cost of a paving and drainage project - \$70,520.
- Transfers from Lake Dallas Community Development Corporation to the debt service fund, toward payment of long-term debt - \$21,644.
- Transfers from Lake Dallas Economic Development Corporation to the debt service fund, toward payment of long-term debt - \$8,666.

**6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 331,779	\$ -	\$ -	\$ 331,779
Buildings and Improvements	1,629,761	-	-	1,629,761
Street and Parks Infrastructure	3,227,613	54,837	-	3,282,450
Equipment and Vehicles	859,789	85,794	-	945,583
Construction in Progress	-	<u>626,107</u>	-	<u>626,107</u>
Totals at historic cost	<u>6,048,942</u>	<u>766,738</u>	<u>-</u>	<u>6,815,680</u>
Less accumulated depreciation for:				
Buildings and Improvements	(303,429)	(43,293)	-	(346,722)
Street and Parks Infrastructure	(866,599)	(216,160)	-	(1,082,759)
Equipment and Vehicles	<u>(377,277)</u>	<u>(93,566)</u>	-	<u>(470,843)</u>
Total accumulated depreciation	<u>(1,547,305)</u>	<u>(353,019)</u>	<u>-</u>	<u>(1,900,324)</u>
Governmental activities capital assets, net	<u>\$4,501,637</u>	<u>\$ 413,719</u>	<u>\$ -</u>	<u>\$ 4,915,356</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 36,946
Special Events	145
Public Safety	73,512
Animal Control	1,880
Public Works-Streets	215,395
Municipal Court	540
Parks and Recreation	20,240
Community Development	<u>4,361</u>
Total depreciation expense – Governmental activities	<u>\$353,019</u>

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

**7. LONG TERM DEBT**

Long term debt of the City consists of two general obligation bond series, two certificates of obligation series, one equipment finance loan and compensated absences. All long-term debt represents transactions in the City's governmental activities.

In January, 1998, voters of the City authorized the issuance and sale of \$3,000,000 in general obligation bonds, to be used to reconstruct and improve City streets and drainage, and to purchase land. In March, 1998, \$2,000,000 of the bonds were issued. At September 30, 2006, the remaining \$1,000,000 in authorized bonds were unissued.

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

The following is a summary of the changes in the City's Long-term Debt for the year ended September 30, 2006:

Description	Interest Rate Payable	Amounts Outstanding 10/01/05	Additions	Retired	Amounts Outstanding 09/30/06	Due Within One Year
Bonded Indebtedness:						
1998 General Obligation	4.5-6.0%	\$1,560,000	\$ -	\$ 85,000	\$1,475,000	\$ 90,000
Total Bonded Indebtedness		<u>1,560,000</u>	<u>-</u>	<u>85,000</u>	<u>1,475,000</u>	<u>90,000</u>
Certificates of Obligation:						
2001 Series	4.875-5.0%	675,000	-	30,000	645,000	30,000
2006 Series	4.24%	-	1,635,000	-	1,635,000	55,000
Total Cert. of Obligation		<u>675,000</u>	<u>1,635,000</u>	<u>30,000</u>	<u>2,280,000</u>	<u>85,000</u>
Equipment Finance Loan:						
Northstar Bank	4.50%	189,357	-	44,443	144,914	46,655
Total Equipment Finance Loan		<u>189,357</u>	<u>-</u>	<u>44,443</u>	<u>144,914</u>	<u>46,655</u>
Compensated Absences		<u>81,029</u>	<u>11,044</u>	<u>-</u>	<u>92,073</u>	<u>-</u>
Total Long-Term Debt		<u>\$2,505,386</u>	<u>\$1,646,044</u>	<u>\$159,443</u>	<u>\$3,991,987</u>	<u>\$ 221,655</u>

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds require the City to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

The retirement of accrued compensated absences is provided by financial resources of the General Fund.

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

**8. DEBT SERVICE REQUIREMENTS TO MATURITY**

Presented below is a summary of general obligation bond requirements to maturity:

Year Ended September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2007	\$ 90,000	\$ 70,463	\$ 160,463
2008	95,000	66,143	161,143
2009	105,000	61,868	166,868
2010	110,000	57,143	167,143
2011	115,000	52,083	167,083
2012-2016	655,000	174,520	829,520
2017-2018	<u>305,000</u>	<u>23,000</u>	<u>328,000</u>
Total	<u>\$1,475,000</u>	<u>\$ 505,220</u>	<u>\$1,980,220</u>

Presented below is a summary of certificates of obligation requirements to maturity:

Year Ended September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2007	\$ 85,000	\$ 99,341	\$ 184,341
2008	85,000	95,546	180,546
2009	85,000	91,939	176,939
2010	95,000	88,196	183,196
2011	100,000	83,989	183,989
2012-2016	565,000	348,745	913,745
2017-2021	715,000	207,474	922,474
2022-2026	<u>550,000</u>	<u>60,420</u>	<u>610,420</u>
Total	<u>\$ 2,280,00</u>	<u>\$1,075,650</u>	<u>\$3,355,650</u>

Presented below is a summary of equipment finance loan requirements to maturity:

Year Ended September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2007	\$ 46,655	\$ 6,413	\$ 53,068
2008	48,646	4,422	53,068
2009	<u>49,613</u>	<u>3,455</u>	<u>53,068</u>
Total	<u>\$ 144,914</u>	<u>\$ 14,290</u>	<u>\$ 159,204</u>

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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**9. EMPLOYEE RETIREMENT PLAN**

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 811 administered by TMRS, an agent multiple-employer public employee retirement system. Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent of the employee's accumulated contributions. In addition the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employer's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Plan provisions for the City were as follows (as of 4/19/06):

Deposit Rate: 7%

Matching Ration (City to Employee): 2 to 1

A member is vested after 5 yrs.

Members can retire at certain ages, based on the year of service with the City.

The Service Retirement Eligibility for the City is: "5 yrs/age 60, 20 yrs/any age"

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2005 valuation is effective for rates beginning January 2007).

CITY OF LAKE DALLAS, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2006

The City's total payroll in the current year was \$1,393,119 and the City's covered payroll was \$1,354,668. Both the City and the covered employees made the required contributions, amounting to \$137,285, (10.78% of covered payroll during calendar year 2005, and 9.95% during calendar year 2006) for the City and \$94,827 (7%) for the employees. There were no related-party transactions.

Funding Status and Progress

Even though the substance of the City's plan is not to provide a defined benefit in some form, additional disclosure is appropriate due to the nontraditional nature of the defined contribution plan which had an initial unfunded pension benefit obligation to the monetary credits granted by the City for services rendered before the plan began and which can have additions to the unfunded pension benefit obligation through the periodic adoption of increases in benefit credits and benefits. Statement No. 5 of the Governmental Accounting Standards Board (GASB 5) defines pension benefit obligation as a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of public employee pension plans, assess programs made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee pension plans.

The pension benefit obligation shown below is similar in nature to the standardized disclosure measure required by GASB 5 for defined benefit plans except that there is no need to project salary increases since the benefits credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 2005.

Schedule of Actuarial Liabilities and Funding Progress:

Actuarial Valuation Date	12/31/2005
Actuarial Value of Assets	\$2,162,422
Actuarial Accrued Liability	\$2,560,323
Percentage Funded	84.5%
Unfunded (Over-funded) Actuarial Accrued Liability	\$397,901

Actual Assumptions

Actual cost method	Unit Credit
Amortization method	Level Percent of Payroll
Remaining amortization period	25 Years – Open Period
Asset valuation method	Amortized Cost
	(to accurately reflect the requirements of GASB statement, No. 25, paragraphs 36e and 138)
Investment rate of return	7%
Projected salary increases	None
Includes inflation at	3.5%
Cost-of-living adjustments	None

CITY OF LAKE DALLAS, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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All assumptions for the 12/31/05 valuations can be found in the TMRS Comprehensive Annual Financial Report, a copy of which can be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

**10. LITIGATION AND CONTINGENCIES**

The City participates in some state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2006 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**11. RISK MANAGEMENT**

Liability and property insurance coverage is provided by TML Intergovernmental Risk Pool. The City retains, as a risk only, the deductible amounts for each declaration of coverage. There were no reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

The City is a member of the Texas Municipal League Intergovernmental Risk Pool. Insurance coverage of the City is divided into the following types: property, crime, general liability, public official's liability, auto liability, auto physical damage, auto catastrophic, inland marine (mobile equipment), law enforcement liability, and boiler and machinery.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF LAKE DALLAS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes (ad valorem, sales and other)	\$2,504,835	\$2,349,292	\$2,387,294	\$ 38,002
Special assessments	-	-	6,326	6,326
Licenses and permits	175,805	184,230	139,302	(44,928)
Charges for services	228,500	274,423	286,582	12,159
Fines	177,000	168,700	207,022	38,322
Donations	-	-	6,251	6,251
Interest	22,300	18,000	34,903	16,903
Utilities settlement	-	-	27,520	27,520
Police vests grant	-	-	1,200	1,200
Miscellaneous revenue	<u>13,500</u>	<u>6,800</u>	<u>13,352</u>	<u>6,552</u>
Total Revenues	<u>3,121,940</u>	<u>3,001,445</u>	<u>3,109,752</u>	<u>108,307</u>
Expenditures:				
Current:				
General government	478,326	489,651	482,707	6,944
Special events	66,205	83,166	100,702	(17,536)
Public safety	1,984,968	1,898,807	1,934,157	(35,350)
Animal control	77,359	80,794	76,256	4,538
Public works-streets	211,440	236,812	256,019	(19,207)
Municipal court	72,461	59,116	61,726	(2,610)
Parks and recreation	55,483	28,108	29,569	(1,461)
Community development	134,847	169,670	153,693	15,977
Capital Outlay	11,000	95,526	133,829	(38,303)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>3,092,089</u>	<u>3,141,650</u>	<u>3,228,658</u>	<u>(87,008)</u>
Excess of Revenues over Expenditures	<u>29,851</u>	<u>(140,205)</u>	<u>(118,906)</u>	<u>21,299</u>
Other Financing Sources:				
Sale of assets	300	-	338	338
Transfers in	145,638	-	79,714	79,714
Transfers out	<u>-</u>	<u>-</u>	<u>(16,888)</u>	<u>(16,888)</u>
Total Other Financing Sources	<u>145,938</u>	<u>-</u>	<u>63,164</u>	<u>63,164</u>
Net Change in Fund Balance	175,789	(140,205)	(55,742)	84,463
Fund Balance – October 1 (Beginning)	<u>466,629</u>	<u>466,629</u>	<u>466,629</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 642,418</u>	<u>\$ 326,424</u>	<u>\$ 410,887</u>	<u>\$ 84,463</u>

**COMBINING & INDIVIDUAL FUND  
STATEMENTS & SCHEDULES**

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$412,434	\$549,346
Receivables:		
Ad valorem tax	68,983	62,490
Sales tax	38,719	36,250
Occupancy tax	15,172	-
Mixed beverage tax	5,309	3,437
Other	3,754	9,488
Due from EDC/CDC	166	-
Prepaid costs	<u>3,023</u>	<u>6,655</u>
<b>TOTAL ASSETS</b>	<b><u>\$547,560</u></b>	<b><u>\$667,666</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 22,466	\$ 97,705
Accrued wages payable	26,607	22,966
Court costs payable	16,099	14,170
Due to EDC/CDC	-	1,875
Other liabilities	2,518	1,831
Deferred revenue	<u>68,983</u>	<u>62,490</u>
Total Liabilities	<u>136,673</u>	<u>201,037</u>
Fund Balance:		
Reserved	119,949	127,327
Undesignated	<u>290,938</u>	<u>339,302</u>
Total Fund Balance	<u>410,887</u>	<u>466,629</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$547,560</u></b>	<b><u>\$667,666</u></b>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<b>REVENUES:</b>		
Taxes:		
Property	\$1,513,382	\$1,428,889
Sales	505,000	452,083
Hotel occupancy tax	35,629	-
Mixed beverage	18,487	13,561
Franchise	314,796	302,023
Special assessments	6,326	8,114
License and permits	139,302	170,221
Charges for services	286,582	249,417
Fines	207,022	167,065
Donations	6,251	21,634
Interest	34,903	25,465
Utilities settlement	27,520	-
Police vests grant	1,200	-
School resource officer grant	-	41,306
Miscellaneous	<u>13,352</u>	<u>25,570</u>
Total Revenues	<u>3,109,752</u>	<u>2,905,348</u>
<b>EXPENDITURES:</b>		
Current:		
General government	482,707	381,023
Special events	100,702	-
Public safety	1,934,157	1,748,863
Animal control	76,256	75,847
Public works – streets	256,019	249,303
Municipal court	61,726	67,524
Parks and recreation	29,569	40,091
Community development	153,693	146,893
Capital outlay	<u>133,829</u>	<u>390,164</u>
Total Expenditures	<u>3,228,658</u>	<u>3,099,708</u>
Excess of Revenues over Expenditures	<u>(118,906)</u>	<u>(194,360)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Bank loan proceeds	-	235,650
Sale of assets	338	6,050
Transfers in	79,714	2,273
Transfers out	<u>(16,888)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>63,164</u>	<u>243,973</u>
Net Change in Fund Balance	(55,742)	49,613
Fund Balance - October 1 (Beginning)	<u>466,629</u>	<u>417,016</u>
Fund Balance - September 30 (Ending)	<u>\$ 410,877</u>	<u>\$ 466,629</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2006  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2005

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
Ad valorem tax	\$ 1,505,600	\$ 1,513,382	\$ 7,782	\$ 1,428,889
Sales tax	465,000	505,000	40,000	452,083
Mixed beverage tax	15,000	18,487	3,487	13,561
Hotel occupancy tax	38,700	35,629	(3,071)	-
Franchise tax	324,992	314,796	(10,196)	302,023
Court fines and fees	168,700	207,022	38,322	167,065
Building permits	129,000	81,101	(47,899)	108,522
Park improvement fees	10,000	6,326	(3,674)	8,114
Other permits and fees	55,230	58,201	2,971	61,699
School resource officer grant	-	-	-	41,306
School resource officer reimbursements	27,223	17,618	(9,605)	4,554
Police vests grant	-	1,200	1,200	-
Police auction VSC	-	66,396	66,396	91,059
Rent - Lake Cities Library	35,000	35,000	-	34,999
Other rentals	3,000	3,325	325	2,699
Dispatch contract	40,000	40,000	-	35,000
Crossing guard reimbursement	9,900	9,253	(647)	7,533
Street funds - Denton County	-	-	-	8,000
Environment cleanup reimbursement	-	-	-	5,821
Warrant service	19,500	26,535	7,035	22,705
Staff/office services - EDC/CDC	86,000	50,000	(36,000)	50,035
Donations	-	6,251	6,251	13,634
Interest earned	18,000	34,903	16,903	25,465
State police training funds	-	1,412	1,412	1,357
Mowing	-	2,192	2,192	75
Animal services	6,300	4,358	(1,942)	5,387
Fireworks	6,000	7,000	1,000	3,691
Utilities settlement	-	27,520	27,520	-
Police seizure funds	-	696	696	-
Special events	37,500	34,097	(3,403)	8,838
Other revenue	800	2,052	1,252	1,234
<b>TOTAL REVENUE</b>	<b><u>\$ 3,001,445</u></b>	<b><u>\$ 3,109,752</u></b>	<b><u>\$ 108,307</u></b>	<b><u>\$ 2,905,348</u></b>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2006  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2005

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
<b>GENERAL GOVERNMENT:</b>				
Personnel:				
Salaries	\$ 186,892	\$ 200,834	\$ (13,942)	\$ 170,253
Retirement	16,604	19,597	(2,993)	16,452
Longevity pay	1,134	1,134	-	906
Insurance	22,443	23,750	(1,307)	15,698
Payroll taxes	3,419	4,630	(1,211)	3,410
<b>Total Personnel</b>	<u>230,492</u>	<u>249,945</u>	<u>(19,453)</u>	<u>206,719</u>
Supplies, Repairs and Services:				
Insurance	26,500	24,909	1,591	9,914
Office expense	5,700	4,618	1,082	5,453
Operating supplies	2,500	3,741	(1,241)	-
Travel	1,000	2,325	(1,325)	93
Continuing education	500	895	(395)	131
Election expense	4,500	75	4,425	3,078
Ads and public notices	2,000	1,555	445	2,531
Publications	300	396	(96)	480
Dues and memberships	3,000	2,562	438	3,290
Postage	2,500	2,340	160	2,889
Telephone and utilities	42,000	60,264	(18,264)	17,679
Professional services	46,000	18,298	27,702	22,813
Tax appraisal/collection	19,000	17,883	1,117	16,172
Legal services	21,000	23,414	(2,414)	9,794
Council and committees	6,200	3,854	2,346	10,227
Maintenance and repair - building	17,751	8,178	9,573	11,121
Maintenance and repair - equipment	6,112	4,859	1,253	2,273
Lake Cities Library	52,596	52,596	-	52,596
Training	-	-	-	3,770
<b>Total Supplies, Repairs and Services</b>	<u>259,159</u>	<u>232,762</u>	<u>26,397</u>	<u>174,304</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>489,651</u>	<u>482,707</u>	<u>6,944</u>	<u>381,023</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2006  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2005

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
<b>SPECIAL EVENTS:</b>				
<b>Personnel:</b>				
Salaries	\$ 25,987	\$ 26,253	\$ (266)	\$ -
Retirement	2,586	2,269	317	-
Insurance	4,303	3,565	738	-
Payroll taxes	440	770	(330)	-
<b>Total Personnel</b>	<u>33,316</u>	<u>32,857</u>	<u>459</u>	<u>-</u>
<b>Supplies, Repairs and Services:</b>				
Supplies	-	210	(210)	-
Office expense	100	542	(442)	-
Travel	500	792	(292)	-
Continuing education	-	145	(145)	-
Printing	1,000	490	510	-
Advertising	9,600	11,583	(1,983)	-
Dues and memberships	150	35	115	-
Telephone	-	355	(355)	-
Special events costs	32,000	50,269	(18,269)	-
Rentals	6,500	2,260	4,240	-
Maintenance and repair - equipment	-	568	(568)	-
Equipment supplies	-	596	(596)	-
<b>Total Supplies, Repairs and Services</b>	<u>49,850</u>	<u>67,845</u>	<u>(17,995)</u>	<u>-</u>
<b>TOTAL SPECIAL EVENTS</b>	<u>83,166</u>	<u>100,702</u>	<u>(17,536)</u>	<u>-</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2006  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2005

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
<b>PUBLIC SAFETY:</b>				
Police Department:				
Personnel:				
Salaries	\$ 845,857	\$ 850,690	\$ (4,833)	\$ 738,975
Retirement	88,706	85,999	2,707	77,485
Contract labor	9,900	7,341	2,559	8,325
Longevity pay	7,920	7,999	(79)	6,690
Insurance	165,069	144,002	21,067	110,700
Payroll taxes	14,592	16,691	(2,099)	12,259
Total Personnel	<u>1,132,044</u>	<u>1,112,722</u>	<u>19,322</u>	<u>954,434</u>
Supplies, Repairs and Services:				
Insurance	-	-	-	14,848
Office expense	5,000	8,764	(3,764)	6,227
Supplies	4,500	7,050	(2,550)	9,013
Travel expense	2,800	940	1,860	2,518
Miscellaneous expense	600	1,400	(800)	1,320
Ads and public notices	1,000	1,143	(143)	1,014
Publications	1,200	659	541	1,328
Printing	600	57	543	600
Dues and memberships	400	195	205	394
Uniforms	3,000	3,472	(472)	1,491
Training	500	1,448	(948)	6,555
Telephone and utilities	9,430	12,620	(3,190)	28,612
Professional services	13,160	14,779	(1,619)	5,530
Detention expenses	1,200	1,695	(495)	1,329
K-9 support	1,000	3,274	(2,274)	4,200
Kids-N-Cops program	-	6,059	(6,059)	3,476
Maintenance and repair - building	-	-	-	5,277
Maintenance and repair - equipment	14,200	11,260	2,940	10,773
Maintenance and repair - vehicles	8,500	10,873	(2,373)	8,392
Gas and oil	18,000	27,367	(9,367)	21,098
Special programs	3,000	904	2,096	2,815
Special operations	3,000	9,845	(6,845)	3,210
Equipment supplies	-	25,745	(25,745)	12,257
Total Supplies, Repairs and Services	<u>91,090</u>	<u>149,549</u>	<u>(58,459)</u>	<u>152,277</u>
Total Police Department	<u>1,223,134</u>	<u>1,262,271</u>	<u>(39,137)</u>	<u>1,106,711</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2006  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2005

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
<b>Fire Department:</b>				
Contribution to Lake Cities				
Volunteer Fire Department	\$ 675,673	\$ 671,886	\$ 3,787	\$ 642,152
Total Fire Department	<u>675,673</u>	<u>671,886</u>	<u>3,787</u>	<u>642,152</u>
TOTAL PUBLIC SAFETY	<u>1,898,807</u>	<u>1,934,157</u>	<u>(35,350)</u>	<u>1,748,863</u>
<b>ANIMAL CONTROL:</b>				
<b>Personnel:</b>				
Salaries	49,066	48,480	586	48,912
Retirement	3,973	3,975	(2)	4,116
Longevity pay	582	582	-	510
Insurance	8,012	7,217	795	6,130
Payroll taxes	1,501	2,021	(520)	1,415
Total Personnel	<u>63,134</u>	<u>62,275</u>	<u>859</u>	<u>61,083</u>
<b>Supplies, Repairs and Services:</b>				
Office expense	100	199	(99)	-
Supplies	4,000	2,910	1,090	3,268
Travel expense	100	92	8	45
Ads and public notices	100	785	(685)	298
Publications	100	-	100	113
Printing	150	-	150	-
Dues and memberships	50	20	30	20
Uniforms	300	-	300	115
Telephone and utilities	960	453	507	5,546
Professional services	300	301	(1)	273
Special events	500	-	500	-
Land lease	7,200	7,200	-	2,700
Maintenance and repair - building	2,000	1,252	748	1,486
Maintenance and repair - equipment	500	12	488	-
Maintenance and repair - vehicles	500	109	391	312
Gas and oil	800	648	152	588
Total Supplies, Repairs and Services	<u>17,660</u>	<u>13,981</u>	<u>3,679</u>	<u>14,764</u>
TOTAL ANIMAL CONTROL	<u>80,794</u>	<u>76,256</u>	<u>4,538</u>	<u>75,847</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2006  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2005

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
<b>PUBLIC WORKS:</b>				
Street Department:				
Personnel:				
Salaries	\$ 115,000	\$ 121,139	\$ (6,139)	\$ 121,845
Contract labor	-	-	-	-
Retirement	10,213	11,589	(1,376)	11,227
Longevity pay	3,036	3,036	-	2,820
Insurance	29,806	30,148	(342)	25,745
Payroll taxes	1,807	2,960	(1,153)	2,441
Total Personnel	<u>159,862</u>	<u>168,872</u>	<u>(9,010)</u>	<u>164,078</u>
Supplies, Repairs and Services:				
Supplies	2,200	1,583	617	1,641
Advertising	-	119	(119)	38
Continuing education	400	89	311	99
Dues and memberships	150	115	35	110
Uniforms	2,000	1,876	124	1,745
Telephone and utilities	1,300	1,354	(54)	5,405
Street lighting	42,000	44,959	(2,959)	43,151
Professional services	1,000	450	550	3,737
Street signs	8,000	3,402	4,598	7,496
Maintenance and repair - building	400	328	72	591
Maintenance and repair - equipment	3,500	1,609	1,891	2,256
Maintenance and repair- vehicle	2,000	905	1,095	2,872
Maintenance - drainage	1,000	-	1,000	-
Maintenance - streets	8,000	23,335	(15,335)	8,744
Gas and oil	3,500	5,909	(2,409)	4,997
Equipment rental	1,500	1,114	386	1,200
Equipment supplies	-	-	-	1,143
Total Supplies, Repairs and Services	<u>76,950</u>	<u>87,147</u>	<u>(10,197)</u>	<u>85,225</u>
<b>TOTAL PUBLIC WORKS</b>	<u>236,812</u>	<u>256,019</u>	<u>(19,207)</u>	<u>249,303</u>

CITY OF LAKE DALLAS, TEXAS

GENERAL FUND

STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)

BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2006

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2005

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
<b>MUNICIPAL COURT:</b>				
Personnel:				
Salaries	\$ 43,392	\$ 43,649	\$ (257)	\$ 39,839
Retirement	4,440	4,532	(92)	4,091
Longevity pay	318	318	-	246
Insurance	7,339	6,569	770	5,564
Payroll taxes	697	918	(221)	591
Total Personnel	56,186	55,986	200	50,331
Supplies, Repairs and Services:				
Supplies	300	432	(132)	510
Travel	100	218	(118)	615
Continuing education	-	-	-	50
Advertising	-	351	(351)	-
Publications	1,075	1,017	58	342
Dues and memberships	130	189	(59)	130
Credit card fees	-	558	(558)	-
Professional services	825	1,464	(639)	1,528
Legal services	-	-	-	10,900
Maintenance and repair - equipment	500	1,511	(1,011)	657
Equipment supplies	-	-	-	2,461
Total Supplies, Repairs and Services	2,930	5,740	(2,810)	17,193
<b>TOTAL MUNICIPAL COURT</b>	<b>59,116</b>	<b>61,726</b>	<b>(2,610)</b>	<b>67,524</b>
<b>PARKS AND RECREATION:</b>				
Personnel:				
Salaries	14,059	13,492	567	9,208
Retirement	657	1,051	(394)	-
Insurance	3,882	2,029	1,853	-
Payroll taxes	360	826	(466)	717
Total Personnel	18,958	17,398	1,560	9,925

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2006  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2005

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
Supplies, Repairs and Services:				
Office expense	\$ -	\$ -	\$ -	\$ 64
Supplies	-	-	-	14,266
Advertising	-	283	(283)	1,006
Printing	-	-	-	624
Telephone	450	186	264	-
Uniforms	-	228	(228)	-
Equipment rental	3,000	2,640	360	3,249
Park utilities	1,000	1,462	(462)	1,385
Park maintenance	1,400	2,353	(953)	722
Sign maintenance	-	316	(316)	-
Special events	-	-	-	4,950
Gas and oil	1,800	2,564	(764)	1,475
Maintenance and repair - equipment	1,500	2,139	(639)	1,703
Equipment supplies	-	-	-	722
Total Supplies, Repairs and Services	<u>9,150</u>	<u>12,171</u>	<u>(3,021)</u>	<u>30,166</u>
 TOTAL PARKS AND RECREATION	 <u>28,108</u>	 <u>29,569</u>	 <u>(1,461)</u>	 <u>40,091</u>
 COMMUNITY DEVELOPMENT:				
Personnel:				
Salaries	91,115	80,785	10,330	79,484
Retirement	7,511	8,271	(760)	8,052
Longevity pay	240	240	-	456
Insurance	10,237	14,159	(3,922)	10,467
Payroll taxes	1,267	1,955	(688)	1,119
Total Personnel	<u>110,370</u>	<u>105,410</u>	<u>4,960</u>	<u>99,578</u>

CITY OF LAKE DALLAS, TEXAS  
GENERAL FUND  
STATEMENT OF EXPENDITURES BY DEPARTMENT (CONTINUED)  
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2006  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2005

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
Supplies, Repairs and Services:				
Supplies	\$ 1,750	\$ 1,151	\$ 599	\$ 1,251
Travel	800	348	452	212
Continuing education	1,000	150	850	490
Advertising	500	1,566	(1,066)	581
Publications	1,050	283	767	1,074
Dues and memberships	300	186	114	186
Telephone	900	1,053	(153)	2,378
Professional services	51,400	41,750	9,650	25,459
Maintenance and repair - equipment	300	-	300	-
Maintenance and repair - vehicles	600	100	500	513
Gas and oil	700	1,696	(996)	687
Community room kitchen costs	-	-	-	14,484
Total Supplies, Repairs and Services	<u>59,300</u>	<u>48,283</u>	<u>11,017</u>	<u>47,315</u>
 TOTAL COMMUNITY DEVELOPMENT	 <u>169,670</u>	 <u>153,693</u>	 <u>15,977</u>	 <u>146,893</u>
 CAPITAL OUTLAY:				
Capital outlay - building	-	-	-	7,579
Capital outlay - streets	39,301	48,035	(8,734)	81,299
Capital outlay - equipment	41,764	43,251	(1,487)	238,878
Capital outlay - vehicles	14,461	42,543	(28,082)	62,408
 TOTAL CAPITAL OUTLAY	 <u>95,526</u>	 <u>133,829</u>	 <u>(38,303)</u>	 <u>390,164</u>
 TOTAL EXPENDITURES	 <u>\$ 3,141,650</u>	 <u>\$ 3,228,658</u>	 <u>\$ (87,008)</u>	 <u>\$ 3,099,708</u>

CITY OF LAKE DALLAS, TEXAS  
DEBT SERVICE FUND  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2006 AND 2005

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	<u>2006</u>	<u>2005</u>
ASSETS		
Receivables:		
Ad valorem tax	<u>\$12,040</u>	<u>\$10,875</u>
TOTAL ASSETS	<u>\$12,040</u>	<u>\$10,875</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Deferred revenues	<u>\$12,040</u>	<u>\$10,875</u>
Total Liabilities	<u>12,040</u>	<u>10,875</u>
Fund balance:		
Reserved for debt service	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$12,040</u>	<u>\$10,875</u>

CITY OF LAKE DALLAS, TEXAS  
DEBT SERVICE FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
REVENUES:		
Taxes:		
Property	\$279,384	\$275,211
TOTAL REVENUES	<u>279,384</u>	<u>275,211</u>
EXPENDITURES:		
Debt service:		
Principal retirement	159,443	151,293
Interest and fiscal charges	<u>152,139</u>	<u>121,645</u>
TOTAL EXPENDITURES	<u>311,582</u>	<u>272,938</u>
Excess of revenues over (under) expenditures	<u>(32,198)</u>	<u>2,273</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in (out)	<u>32,198</u>	<u>(2,273)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>32,198</u>	<u>(2,273)</u>
Change in fund balance	-0-	-0-
Fund balance, beginning of year	<u>-0-</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ -0-</u>	<u>-0-</u>

CITY OF LAKE DALLAS, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – DEBT SERVICE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes-ad valorem	<u>\$324,000</u>	<u>\$288,300</u>	<u>\$279,384</u>	<u>\$ (8,916)</u>
Total Revenues	<u>324,000</u>	<u>288,300</u>	<u>279,384</u>	<u>(8,916)</u>
Expenditures:				
Principal	<u>221,551</u>	<u>195,000</u>	<u>159,443</u>	<u>35,557</u>
Interest and Fees	<u>177,821</u>	<u>112,276</u>	<u>152,139</u>	<u>(39,863)</u>
Total Expenditures	<u>399,372</u>	<u>307,276</u>	<u>311,582</u>	<u>(4,306)</u>
Excess of Revenues over Expenditures	<u>(75,372)</u>	<u>(18,976)</u>	<u>(32,198)</u>	<u>(13,222)</u>
Other Financing Sources (Uses):				
Transfers In	<u>97,300</u>	<u>-</u>	<u>32,198</u>	<u>32,198</u>
Total Other Financing Sources (Uses)	<u>97,300</u>	<u>-</u>	<u>32,198</u>	<u>32,198</u>
Net Change in Fund Balance	<u>21,928</u>	<u>(18,976)</u>	<u>-</u>	<u>18,976</u>
Fund Balance – October 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 21,928</u>	<u>\$ (18,976)</u>	<u>\$ -</u>	<u>\$ 18,976</u>

CITY OF LAKE DALLAS, TEXAS  
SCHEDULE OF RESERVED FUND BALANCE  
GENERAL FUND  
SEPTEMBER 30, 2006

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Court technology funds	\$ 15,265
Court security funds	13,625
Child safety funds	13,542
Juvenile case management funds	2,999
Willow Grove Park fees	7,276
VSC auction	46,595
Tech auction	-
LEOSE	5,518
Police technology donations	235
Police seizure funds	2,763
Kids-N-Cops	6,170
Animal rescue	<u>2,938</u>
 Total	 <u>\$116,926</u>

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of the City Council  
City of Lake Dallas, Texas

We have audited the financial statements of the City of Lake Dallas, Texas as of and for the year ended September 30, 2006, and have issued our report thereon dated December 28, 2006.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Lake Dallas, Texas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under GOVERNMENT AUDITING STANDARDS.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lake Dallas Texas's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of management and appropriate federal agencies, and is not intended to be used and should not be used by anyone other than these specified parties.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay  
A Professional Corporation  
Certified Public Accountants

December 28, 2006

**STATISTICAL SECTION**

CITY OF LAKE DALLAS, TEXAS  
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
 LAST NINE FISCAL YEARS

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<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Animal Control</u>	<u>Public Works - Streets</u>	<u>Municipal Court</u>	<u>Park and Recreation</u>	<u>Community Development</u>
1998	\$209,923	\$ 805,898	\$ -	\$197,207	\$54,312	\$40,984	\$102,421
1999	231,699	953,343	-	186,271	53,028	46,875	118,450
2000	216,824	1,036,091	-	188,818	53,022	72,968	118,439
2001	220,322	1,029,313	92,712	402,811	59,278	199,953	82,051
2002	260,731	1,348,318	62,050	240,454	75,631	61,359	77,050
2003	304,278	1,370,459	62,101	220,140	62,235	17,166	94,658
2004	337,509	1,480,659	68,552	224,981	60,792	20,859	106,697
2005	381,023	1,748,863	75,847	249,303	67,524	40,091	146,893
2006	482,707	1,934,157	76,256	256,019	61,726	29,569	153,693

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<u>Special Events</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ 117,991	\$ 51,740	\$1,580,476
-	1,205,496	208,787	3,003,949
-	1,439,140	212,960	3,338,262
-	865,983	211,953	3,164,376
-	839,549	261,846	3,226,988
-	217,414	226,283	2,574,734
-	336,295	306,548	2,942,892
-	691,339	272,938	3,673,821
100,702	133,829	311,582	3,540,240

CITY OF LAKE DALLAS, TEXAS  
 GENERAL GOVERNMENTAL REVENUES BY SOURCE  
 LAST NINE FISCAL YEARS

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<u>Fiscal Year</u>	<u>Taxes</u>	<u>Special Assessments</u>	<u>License and Permits</u>	<u>Charges for Services</u>	<u>Fines</u>	<u>Interest</u>
1998	\$1,349,517	\$20,768	\$218,132	\$ 29,625	\$130,996	\$145,142
1999	1,503,596	11,615	151,899	36,840	118,733	186,821
2000	1,672,043	8,968	116,655	38,603	110,952	158,644
2001	1,857,983	13,258	147,418	28,874	123,392	112,213
2002	1,939,336	10,134	108,535	27,519	89,391	30,018
2003	2,105,390	7,799	122,291	143,028	118,295	12,262
2004	2,245,530	7,134	145,098	169,548	129,887	11,368
2005	2,471,767	8,114	170,221	249,417	167,065	29,831
2006	2,666,678	6,326	139,302	286,582	207,022	82,542

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<u>Grants</u>	<u>Miscellaneous</u>	<u>Intergovernmental</u>	<u>Total</u>
\$72,847	\$29,368	\$ -	\$1,996,395
42,429	24,874	-	2,076,807
32,585	19,330	100,000	2,257,780
-	13,948	-	2,297,086
-	48,424	-	2,253,357
35,127	25,941	-	2,570,133
48,567	70,363	-	2,827,495
41,306	47,204	-	3,184,925
1,200	47,123	-	3,436,775

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CITY OF LAKE DALLAS, TEXAS  
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
 LAST EIGHT FISCAL YEARS

<u>Fiscal Year</u>	(1) <u>Property</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hotel Occupancy</u>	<u>Other</u>	<u>Total</u>
1999	\$ 968,225	\$281,515	\$237,484	\$ -	\$16,372	\$1,503,596
2000	1,062,023	351,901	242,501	-	15,618	1,672,043
2001	1,197,515	367,788	277,271	-	15,409	1,857,983
2002	1,258,045	376,267	289,973	-	15,051	1,939,336
2003	1,391,283	379,220	313,053	-	21,834	2,105,390
2004	1,498,150	435,367	296,404	-	15,609	2,245,530
2005	1,704,100	452,083	302,023	-	13,561	2,471,767
2006	1,792,766	505,000	314,796	35,629	18,487	2,666,678

(1) Includes penalties and interest.

CITY OF LAKE DALLAS, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST EIGHT FISCAL YEARS

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<u>Fiscal Year</u>	<u>Total Levy</u>	<u>Current Tax Collections</u>	<u>Percentage Of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio Of Total Collections To Levy</u>
1999	\$ 942,349	\$ 926,470	98.32%	\$25,056	\$ 951,526	101.00%
2000	1,055,242	1,037,567	98.33	13,859	1,051,426	99.64
2001	1,180,075	1,162,179	98.48	18,609	1,180,788	100.01
2002	1,299,874	1,224,635	94.21	15,875	1,240,510	95.43
2003	1,378,020	1,334,786	96.86	35,899	1,370,685	99.47
2004	1,489,914	1,451,497	97.42	25,767	1,477,264	99.15
2005	1,680,812	1,646,085	97.93	33,543	1,679,628	99.93
2006	1,778,138	1,736,716	97.67	28,726	1,765,442	99.29

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<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Levy</u>
\$ 60,189	6.50%
60,021	5.69
56,842	4.82
114,353	8.80
116,360	8.44
123,800	8.31
122,991	7.32
134,256	7.55

CITY OF LAKE DALLAS, TEXAS  
 RATIO TO ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL LONG-TERM DEBT  
 TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES (1)  
 LAST NINE FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
1998	\$ 40,000	\$ 11,740	\$ 51,740	\$2,159,284	2.40%
1999	55,000	153,787	208,787	2,316,331	9.01
2000	105,000	107,960	212,960	2,437,892	8.74
2001	110,000	101,953	211,953	2,898,790	7.31
2002	115,000	146,846	261,846	3,224,235	8.12
2003	100,000	126,283	226,283	2,446,151	9.25
2004	185,000	121,548	306,548	2,692,871	11.38
2005	151,293	121,645	272,938	3,372,646	8.09
2006	159,443	152,139	311,582	3,540,240	8.80

(1) Excludes Capital Projects Fund.

CITY OF LAKE DALLAS, TEXAS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTARY INFORMATION  
 ANALYSIS OF FUNDING PROGRESS

<u>Fiscal Year</u>	<u>Net Assets Available For Benefits</u>	<u>Pension Benefit Obligation</u>	<u>Percentage Funded</u>	<u>Unfunded Pension Benefit Obligation</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Pension Benefit Obligation As A Percentage Covered Payroll</u>
2000	\$1,306,620	\$1,380,960	94.6%	\$ 74,700	\$698,242	10.7%
2001	1,486,189	1,644,808	90.4	158,609	777,613	20.4
2002	1,716,101	1,977,076	86.8	260,975	755,234	34.6
2003	1,708,377	2,001,829	85.3	293,452	843,871	34.8
2004	1,684,597	2,042,938	82.5	358,341	1,001,378	35.8
2005	1,902,681	2,253,408	84.4	350,727	1,162,166	30.2
206	2,162,422	2,560,323	84.5	397,901	1,354,668	29.4

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